

**CHAPTER 1****WORKING CAPITAL FUND GENERAL POLICIES AND REQUIREMENTS**0101 GENERAL010101. Overview

A. The NASA WCF was established to satisfy recurring agency-wide NASA requirements through use of a business like buyer and seller approach. In some instances, the "customers" contract with NASA "provider" organizations that have expertise in the required good or service and operate under financial management principles. Unlike profit-oriented commercial businesses, the WCF financial goal is to break even. WCF selling prices established in the budget are stabilized or fixed during execution to protect customers from unforeseen fluctuations that could impact on their ability to execute the programs.

B. The basic tenet of the WCF structure is to create a customer-provider relationship between those requesting a good or service (customer) and the WCF business entity (provider). This relationship is designed to make WCF managers and decision-makers at all levels more concerned with the costs of goods and services. Prior to the establishment of a business entity under the NASA WCF, a charter, which sets forth the mission and responsibilities of the business entity shall be prepared and submitted to the NASA Chief Financial Officer (CFO) for approval.

C. The General Accounting Office (GAO), in its Principles of Federal Appropriations Law, Volume IV, Chapter 15, Section C, "Revolving Funds," pages 15-81 through 15-129, discusses the legal concepts of revolving funds. A read of that section provides an excellent background on revolving funds in general and is recommended. The web address for the GAO's Appropriations Law Volume IV is: <http://www.gao.gov/special.pubs/d01179sp.pdf>. Once at that address, select "Legal Products" from the left menu and then select "Volume IV" under "Principles of Federal Appropriations Law."

010102. Authorizing Legislation. Public Law 108-7, enacted on February 20, 2003, established in the United States Treasury a NASA WCF. Following is the text of the authorizing legislation:

"There is hereby established in the United States Treasury a National Aeronautics and Space Administration working capital fund. Amounts in the fund are available for financing business entities, services, equipment, information, and facilities as authorized by law to be provided within the Administration; to other agencies or instrumentalities of the United States; to any State, Territory, or possession or political subdivision thereof; to other public or private agencies; or to any person, firm, association, corporation, or educational institution on a reimbursable basis. The fund shall also be available for the purpose of funding capital repairs, renovations, rehabilitation, sustainment, demolition, or

replacement of NASA real property, on a reimbursable basis within the Administration. Amounts in the fund are available without regard to fiscal year limitation. The capital of the fund consists of amounts appropriated to the fund; the reasonable value of stocks of supplies, equipment, and other assets and inventories on order that the Administrator transfers to the fund, less the related liabilities and unpaid obligations; and payments received for loss or damage to property of the fund. The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of operation, such as the accrual of annual leave, depreciation of plant, property and equipment, and overhead.”

010103. Treasury Account Symbol

A. The Treasury Account Symbol for the NASA WCF is 80X4546.

B. The following table illustrates the components of the NASA WCF Treasury Account Symbol:

<b>Treasury Agency Symbol</b>	80	“80” is the Treasury Agency code number for NASA
<b>Period of Availability</b>	X	“X” designates a no-year appropriation that is available for obligations for an indefinite period of time
<b>Account Symbol</b>	4546	“45xx” designates the Intragovernmental Revolving Funds fund group

010104. NASA WCF Mission. NASA’s WCF Mission Statement is “to establish a revolving fund that promotes economy, efficiency, and accountability with fully reimbursed rates by focusing on streamlining operations, extending resources, measuring performance, and improving customer satisfaction.”

010105. Authorized Customers

A. Customers of a NASA WCF business entity may be:

1. Any NASA Center, organization, office, or other element.
2. Non-NASA federal government agencies.
3. Private parties and concerns including foreign, state and local governments as authorized by law.

0102 WCF CORPORATE BOARD

010201. Mission. The mission of the NASA WCF Corporate Board is to work collaboratively to review and recommend WCF policies and procedures for consideration and acceptance by the NASA CFO. The Board shall meet on a periodic basis, generally quarterly. Examples of Board actions are:

- A. Comment upon proposed and current NASA WCF policies and their impact on NASA.
- B. Review business entities for inclusion or exclusion in the NASA WCF.
- C. Review and recommend changes to a NASA WCF business entity's charter.
- D. Evaluate performance of individual business entities and the impact of that performance on cash, and on operating and capital investment goals.
- E. Establish sub-groups as needed to address issues and concerns of Board members or others not directly represented on the Board.
- F. Provide feedback on WCF rate adjustments and other relevant issues that arise through the year that impact the WCF or its customers.

010202. Composition. The NASA Deputy Chief Financial Officer (DCFO) shall select Board members and act as chair. The Board members shall consist of one representative or their designated alternate from the following organizations:

- A. NASA Headquarters Director of Financial Management
- B. NASA Headquarters Comptroller
- C. NASA Centers CFOs –three Centers represented
- D. Customer Representation
- E. Other representatives as deemed necessary by the NASA CFO

0103 NASA WCF CONCEPTS010301. Reimbursements

A. NASA WCF Reimbursement Concept. NASA WCF business entities charge for goods and services provided. A NASA WCF business entity operates in a business-like manner, recovering full costs for goods and services provided based on a price

schedule established through a rate-setting process. The amount charged to the customer, in addition to operating expense recovery may include amounts sufficient to finance continuing operations, acquire capital assets, and adjust for prior year results of operations.

B. Distinction Between a WCF Business Entity and a Reimbursable Agreement. A fundamental distinction between the WCF and a reimbursable agreement is that the NASA WCF bills its customers a pre-set price for the good or service it provides while, under a reimbursable agreement, a customer is billed for costs incurred. The pre-set price billed by the WCF is designed to recover the operating and capital budget costs of the performing WCF business entity. However, during execution of the order, the price may be more than, or less than costs incurred by the WCF entity. This is normal and expected because the price is usually set in advance of performance so that the ordering activity can better budget for the acquired service. Operating gains and losses of a WCF are recovered from customers in the rates established for subsequent fiscal years.

010302. NASA WCF Organizational Relationships. Designation of a NASA agency-wide program or function as a NASA WCF business entity does not, by itself, change any organizational relationships that existed prior to such designation. The WCF is not a physical entity or corporation, but rather is a funding mechanism, a revolving fund, through which a provider/customer relationship is established. Under a provider/customer relationship, the NASA WCF, the provider, charges a price for goods and services furnished to its customers that will recoup WCF costs and finance continuing operations. There is a continuing impetus on the WCF to provide a quality good or service for the best value that benefits NASA and the American taxpayer.

010303. Application and Selection of Business Entities. The NASA WCF consists of business entities that are chartered (i.e., approved by the NASA CFO) and that are managed by program/function managers located within NASA. To become a WCF business entity, the entity must either be selected by the NASA CFO or apply for approval. Under either event, an application for designation as a NASA WCF business entity shall be prepared as specified in Appendix 1 to this chapter.

010304. Charters. The NASA business entities to be financed through the NASA WCF shall be chartered under the NASA WCF to achieve the objectives contained in Appendix 2 to this chapter. A charter shall be submitted by the Program/Function Manager through NASA Center Director or Center CFO for final approval by the NASA CFO. Before charter preparation, actions shall be taken to ensure that the proposed business entity meets the criteria established as described in Appendix 3 to this chapter. After charter approval, the chartered WCF business entity shall review it annually to assure it remains current. Changes, if needed, to maintain its currency shall be prepared and submitted to the NASA CFO for approval.

010305. Conformance with Policy Issuances. The financial management and financial operations of each business entity shall comply with financial management guidance and policies issued by the NASA CFO. The policies, procedures, and reporting requirements

contained within the NASA Financial Management Regulation (FMR) apply to all NASA business entities unless otherwise specified.

#### 0104 CAPITALIZATION OF THE NASA WCF

##### 010401. Transfer of Unexpended Balances

A. Unexpended balances include unobligated funds and unliquidated obligations (open obligations not fully disbursed). Upon initiation of a working capital fund activity, unexpended funds transferred, and customer advances, shall provide cash to pay expenses. If sufficient funds are advanced to the WCF business entities, then there may be no transfer of unexpended balances.

B. The following conditions shall apply if any unexpended balances need to be transferred:

1. Only balances of appropriations provided for the same purposes as the purposes of the NASA WCF may be transferred.

2. The transferring appropriation may not transfer expired or canceled appropriation balances. However, unobligated balances that are available for new obligations may be transferred to the NASA WCF. In accordance with the NASA FY 2003 appropriation language, "Amounts in the fund are available without regard to fiscal year limitation." Obligated balances of the transferor appropriation for services/equipment to be delivered and used by the WCF should be deobligated from the transferor appropriation, the deobligated funds then transferred to the NASA WCF and the services/equipment reobligated within the WCF.

3. Based on guidance from the NASA CFO, the WCF staff will coordinate with new WCF business entities to transfer the amount, if any, of available unexpended balances into the NASA WCF. These balances must meet the above conditions prior to being transferred into the NASA WCF. Care must be taken to ensure that sufficient funds are left in the transferor appropriation to cover any remaining liabilities.

4. In order to capture all true costs that comprise the daily operations of the WCF, the WCF staff will analyze all undelivered non-capital equipment and supplies purchased using the transferor appropriation(s) of the WCF business entities, and transfer those items (purchases for goods/services) into the WCF, where appropriate.

5. Each fiscal year, as needed, it is the responsibility of the Director of Financial Management to request and receive an Office of Management and Budget (OMB) apportionment in order to transfer unexpended balances into the NASA WCF. Both the losing account (the transferor appropriation) and the gaining account (the WCF) must be apportioned.

010402. Transfers of Inventory and Property. The NASA FY 2003 appropriation language states, "The capital of the fund consists of "... the reasonable value of stocks of

supplies, equipment, and other assets and inventories on order that the Administrator transfers to the fund...” Any transferred capital equipment will be valued at book value (original cost less accumulated depreciation). Inventories will be valued at original cost.

010403. Advances/Cash

A. The Agency’s FY 2003 appropriation language provides that “...The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of operations...” Accordingly, the WCF business entities shall be advanced funds identified in WCF customer orders during the fiscal year, as required, to enable the WCF activity to pay for its costs of operation. Net outlays shall be transferred to the fund via non-expenditure transfer and recorded in appropriate proprietary and budgetary accounts.

B. Cash generated from operations is the primary means of maintaining adequate cash balances within the NASA WCF. The ability to generate cash is dependent on rates that recover full costs to include prior year losses; accurate workload projections; and meeting established operational goals. Cash shortage correction efforts, when required to meet cash requirements and prevent a violation of the Antideficiency Act, will initially focus on those business entities failing to meet operational plans and, therefore, contributing to cash shortages.

010404. Annual Leave

A. NASA’s FY 2003 appropriation language provides “...that “The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of operations, such as the accrual of annual leave. . .”

B. The annual leave within a WCF differs from that of an appropriated fund. In an appropriated fund, the accrual of annual leave is unfunded. However, as required by the NASA WCF appropriation language, the accrual of annual leave within the NASA WCF is funded. Therefore, personnel assigned from an appropriated fund activity to a WCF business entity are accompanied by a liability for the amount of accrued earnings and annual and sick leave earned by those employees prior to their transfer. Ordinarily, payment in the form of cash or other agreed upon equivalent assets such as operating materials and supplies or equipment should be made to the receiving WCF business entity for the amount of the liabilities assumed. However, in some cases, a full payment for liabilities of transferred personnel may not be received. In these cases, the earned leave liability transferred into the fund will be amortized and charged as a WCF operating expense. The amortization period will be determined based on careful consideration of the WCF needs to pay liabilities for retirements and/or other employee terminations balanced against the effect on rates charged to WCF customers.

C. Accounting for Accrued Annual Leave of Current Employees. The accounting treatment of annual leave within a WCF differs from that of an appropriated fund. In an appropriated fund, the accrual of annual leave is unfunded. However, as required by the NASA WCF appropriation language and OMB Circular A-11, “Preparation, Submission and Execution of the Budget,” the accrual of annual leave within the NASA WCF is funded. Therefore, the rate charged by a WCF business entity to its customers will include an amount

estimated sufficient to fund accrued annual leave. The accounting entry to record this transaction within the NASA WCF is similar to the entry for payroll accruals prescribed for appropriated fund activities. The difference is that because accrued annual leave is funded (through customer rates), the accrual is recorded as a funded transaction versus unfunded. The accounting entries to record this transaction can be found in Appendix 4, Section B.1. of this chapter.

D. Accounting for Accrued Annual Leave of Terminated Employees. Employees terminate service when they leave (e.g., retire from) federal government service. When an employee terminates service, he/she is paid for accrued annual leave. It is only at this point that an obligation for annual leave payable is recorded in addition to the normal payroll accrual obligation. The accounting entries to record this transaction can be found in Appendix 4, Section B.2. of this chapter.

E. Accounting for Accrued Annual Leave of Transferred Employees. Personnel assigned from an appropriated fund activity to a WCF business entity generally are accompanied by a liability for the amount of accrued earnings and annual leave earned by those employees prior to their transfer. Ordinarily, payment in the form of cash or other agreed upon equivalent assets such as operating materials and supplies or equipment should be made to the receiving WCF business entity for the amount of the liabilities assumed. However, in some cases, a full payment for liabilities assumed of transferred personnel may not be received. The accounting entries to record this transaction can be found in Appendix 4, Section B.3. of this chapter.

F. Amortization of Unfunded Annual Leave. A WCF business entity that does not receive payment from the transferor appropriation to cover the leave liability of civil service employees capitalized into the WCF must include an amount in its rates to fund the unfunded liability. Ordinarily, the leave liability transferred into the fund will be amortized over five years and charged as a WCF operating expense; however, depending upon how a five-year amortization affects customer rates, a WCF business entity may request a longer or shorter amortization period from the NASA CFO. The accounting entries to record this transaction can be found in Appendix 4, Section B.4. of this chapter.

010405. Appropriation. NASA did not receive a cash corpus to begin initial operations. However, NASA may request an appropriation of funds (to account 80X4546) in its Working Capital Fund activity's President's budget submission to Congress to supplement its resources when the level of anticipated cash available is estimated to be insufficient at any time throughout the year of budget execution for the WCF activity to remain solvent and to be able to pay for its operating and capital budget requirements.

## 0105 RESPONSIBILITY OF THE NASA WCF AND ITS CUSTOMERS

010501. Requests for service (customer orders) from a customer organization to a providing WCF business entity shall be considered a binding contractual agreement by both

parties upon acceptance. WCF business entities must be prepared to perform customer orders in the quality, quantity, time, and price agreed upon.

010502. Customers wishing to terminate a previously ordered service should notify the WCF business entity manager as early as possible. The customer is liable for funding all costs associated with service delivery until termination, and may be held liable for part or all of any other termination costs incurred by the WCF business entities.

010503. The WCF business entity manager should require a 30-day minimum advance notice for all service terminations to allow sufficient time to evaluate its impact on the service and other customers. The WCF business entity manager should advise NASA CFO of adverse impacts on the fiscal integrity of the WCF. The NASA CFO may raise the issue to the WCF Corporate Board for its review and consideration of the termination request. The WCF Corporate Board will review the situation and determine if the failure to purchase the service causes the WCF business entity to experience a significant loss and recommend a position on the termination request to the Center CFO.

010504. Customers may re-enter the NASA WCF for a previously departed service(s). The timing of re-entry may be restricted by the WCF business entity based on its ability to absorb the additional workload and the effect on its budget. Often, re-entry may be delayed until the commencement of a subsequent fiscal year to ensure that customer orders are in place and that the funds are properly programmed in the NASA budget.

#### 0106 RESPONSIBILITIES OF MANAGEMENT

##### 010601. The CFO or Designee of NASA Shall:

- A. Establish Agency policy on NASA WCF operations.
- B. Provide oversight on all financial management activities relative to the operations of the NASA WCF.
- C. Authorize or approve NASA WCF Charters of specific business entities to be included in the NASA WCF, as well as, the terms under which such business entities shall operate.
- D. Rescind the NASA WCF Charters of specific business entities that no longer meet NASA WCF criteria or that may be operated more efficiently under other financing.
- E. Establish procedures ensuring that NASA WCF financial policies are implemented.
- F. Exercise oversight with regards to WCF financial management and financial operations and recommend policy additions and changes to the NASA CFO.



G. Develop financial reports to satisfy informational requirements of NASA as a whole, and WCF management specifically.

H. Advise NASA Headquarters, Center, and WCF managers on the accounting and reporting policies used in the NASA WCF.

I. Issue WCF instructions when necessary to provide for unique requirements within a WCF business entity and to provide detailed operating instructions.

J. Monitor compliance with this guidance and other policy issuances through analysis of reports, audits, and reviews of business entity operations.

010602. The Director of Financial Management Shall:

A. Advise the NASA CFO on necessary accounting, and reporting policies.

B. Advise and assist the Agency CFO in the development of policies, requirements, systems, procedures, and practices to comply with statutory and regulatory requirements.

C. Review NASA WCF accounting systems for compliance with established financial systems requirements.

D. Advise the NASA Centers and WCF managers on the accounting and reporting procedures and systems used in the NASA WCF.

E. Prepare external and internal accounting reports for the NASA WCF.

010603. The Comptroller Shall:

A. Advise the NASA CFO on WCF budgetary issues.

B. Review and approve operating and capital budgets and monitor execution of the budget and analyze the results thereof.

C. Provide WCF operations oversight through budget execution reviews of reimbursements and outlays.

010604. NASA Officials in Charge of Headquarters Offices and The Directors of NASA Centers or Their Designees Who Have Business Entities Financed Under The NASA WCF Shall:

A. Assure that NASA WCF business entities operate within approved funding limitations.

B. Assign responsibility and authority to designated officials for management and operation of NASA WCF business entities.

C. Ensure that applicants to the NASA WCF are appropriate for the WCF and submit proposed charters to the NASA CFO to authorize new NASA WCF business entities or recommend rescission of charters of existing NASA WCF business entities.

010605. The Management of a NASA WCF Business Entity Shall:

A. Comply with and recommend changes to this and other governing regulations.

B. Provide periodic financial and management information as required by the NASA CFO.

C. Develop business entity specific WCF implementation policies and procedures.

D. Document and maintain records on information used to establish rates and prices, as well as specific methods used to determine them.

E. Incur obligations and costs as necessary and allowable to perform the business entity mission.

F. Control costs in line with the annual operating budget as approved by the NASA CFO.

G. Identify to higher management any impediments to achievement of the business entity's planned performance and cost goals.

H. Identify and justify to higher management those investments that will produce future improvements in effectiveness and efficiency.

I. Initiate change, as needed, to the charter of the WCF business entity as well as annual charter renewals.

J. Measure performance in quantitative and qualitative terms as deemed useful and as prescribed by the NASA CFO.

K. Continually ensure that processes, procedures, policies, etc. will improve customer satisfaction through increased quality, decreased cost, quicker delivery, etc.

0107 FINANCIAL RESOURCE MANAGEMENT

010701. Funds Management

A. Financial resources to establish the working capital fund and to permit continuing operations are generated by reimbursements received in advance for goods provided or services performed by the NASA WCF. A budgetary resource, that is immediately available for outlay even though the outlay may not occur until a future date, must support all NASA WCF obligations. A sufficient fund balance with the Treasury must support all NASA WCF cash outlays.

B. Anti-Deficiency Act

1. The Anti-Deficiency Act shall apply to the NASA WCF at the Treasury account level, i.e., 80X4546 rather than at a lower level such as NASA Center or WCF business entity. The Anti-Deficiency Act consists of provisions of law that were passed by Congress (beginning in the nineteenth century and later incorporated into Title 31 of the United States Code) to prevent departments and agencies from spending their entire appropriations during the first few months of the year. The Act prohibits any Federal employee from:

a. Entering into contracts that exceed the enacted appropriations for the year.

b. Purchasing services and merchandise before appropriations are enacted.

2. The Act:

a. Requires that the OMB apportion the appropriations, that is, approve a plan that spreads out spending over the fiscal period for which the funds were made available.

b. Establishes penalties for Antideficiency Act violations. Violations are obligations or expenditures in excess of the lower of the amount in the affected account, the amount apportioned, or the amount allotted.

c. Requires the agency head to report any Antideficiency Act violations to the President, through the OMB Director, and Congress.

3. Under the Act, if you obligate or expend more than the amount apportioned or any other subdivision of funds, you will be subject to appropriate administrative discipline, including - when circumstances warrant - a written reprimand, suspension from duty without pay, or removal from office. In addition, if you are convicted of willfully and knowingly over obligating or over expending the amount, then you shall be fined not more than \$5,000, imprisoned for not more than 2 years, or both.

C. Restrictions on Use of Customer Appropriations. Statutory limitations and restrictions imposed on the appropriated funds of a NASA WCF customer are not changed when the customer places an order with the NASA WCF. A NASA WCF customer cannot use its

appropriated funds to do indirectly, i.e., through placement of an order with a NASA WCF business entity, what it is not permitted to do directly. Thus, the availability of an appropriation cannot be expanded or otherwise changed by transfer to the NASA WCF. Appropriated funds cited on customer orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The customer is primarily responsible for the determination of the applicability of the ordering appropriation. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the order should be returned with a request for an applicable appropriation cite.

010702.      Stabilized Price and Rate Management

A.      The NASA WCF business entities operate on a break-even basis. Customer prices and rates shall be established on an end product basis whenever feasible. The term “end product” means the good or service requested by the customer (output) rather than processes or other inputs in the achievement of the requested output (for example, the product requested rather than the direct labor hours expended in the achievement of that product).

B.      Prices and rates are required to be established during the budget process at levels estimated to recover the budgeted cost of goods or services to be provided, prior period gains and losses occurring as a result of variations in program execution, as well as, approved surcharges for capital asset acquisition and other Center CFO approved purposes. The budget process is the mechanism used to ensure that adequate resources are budgeted in the customer’s appropriated fund accounts to pay the established prices and rates.

C.      Private parties and concerns when authorized by law including foreign governments, state and local governments shall reimburse the NASA WCF for the full costs incurred by the federal government. Full costs for foreign governments, state and local government, and private party sales shall include unfunded costs that are not charged to the NASA or other federal government customers (such as unfunded civilian retirement and postretirement health benefits cost). NASA shall not retain amounts collected for unfunded civilian retirement and postretirement health benefits costs, rather, such amounts shall be credited to the general fund of the Treasury as miscellaneous receipts.

D.      Prices and rates shall remain stabilized for the entire fiscal year except that the NASA CFO may, upon request of a WCF business entity, authorize a change in the price or rate schedule during a fiscal year.

010703.      Cash Management

A.      The cash management policy is to maintain the minimum cash balance necessary to meet both operational requirements and disbursement requirements in support of the capital program. Cash generated from operations is the primary means of maintaining adequate cash levels. The ability to generate sufficient cash is dependent on setting rates to recover full costs to include prior year losses; accurately projecting workload; and meeting established operational goals.

B. Any transfers of cash between NASA WCF business entities will not be made without prior consultation with and approval of the NASA CFO.

C. WCF business entities shall justify their cash level but, ordinarily, should maintain at least 30 days of operational cost plus cash adequate to meet six months of capital disbursements. Cash levels will be calculated using the following formula: Total operating budget disbursements for a fiscal year divided by either 260 or 261 available workdays in a fiscal year multiplied by the number of days cash desired. This amount is then added to the projected disbursements for six months of Capital Investment Program Outlays.

D. To facilitate the cash management process, WCF business entities will develop a cash plan that include a monthly phasing of estimated collections, disbursements, appropriations, and other cash transactions. This annual cash plan will be initially developed during the budget process and will be an integral part of the budget document. The cash plans should lead to increased management attention and result in reduced costs, and timely billings, collections, and disbursements. The cash plan will be used to compare actual cash to plan cash during budget execution. The cash plan will be provided to NASA CFO at the beginning of each quarter.

010704. Revenue Recognition. The percentage of completion method shall be used by all WCF business entities for recognizing revenue and costs on all customer orders. Under this method, the revenue earned and associated costs incurred on an order will be recognized at least monthly. Revenue and costs must be recognized in the same accounting period. The amount of revenue recognized cannot exceed the amount specified in the customer order.

010705. Full Cost Management. The objective of NASA full cost management is to allocate all NASA costs to major activities and thereby enhance cost-effective mission performance by providing managers with information on infrastructure costs, and their relationship to projects to better support plans and decisions. Under the full cost approach all costs will be allocated to projects. See Volume 7, Cost Management of this regulation, for details regarding full cost management.

0101706. Net Operating Results (NOR). The NOR provides the overall net operating results expected to be achieved in the WCF by the end of the year. The NOR provides a primary financial management goal and will be used in conjunction with other performance measures to assess the overall operational effectiveness of the business entity. NOR is the net of revenues, expenses, gains and losses of the current fiscal year.

## 0108 ACCOUNTING STANDARDS

### 010801. Federal Government Accounting Principles and Standards

A. The Secretary of the Treasury, the Director of OMB, and the Comptroller General of the U.S. ("the Principals") established the Federal Accounting Standards Advisory

Board (FASAB) in October 1990 by a memorandum of understanding. The role of the FASAB is to deliberate upon accounting principles and standards for the federal government and its Executive Branch agencies and to forward final standards to the Principals for a 90-day review period. Following the 90-day review period, the FASAB issues a Statement of Federal Financial Accounting Standards (SFFAS). The SFFASs shall be considered generally accepted accounting principles (GAAP) for federal agencies. Agencies shall apply the SFFASs in preparing financial statements in accordance with the requirements of the CFO Act of 1990. Auditors shall consider SFFASs as authoritative references when auditing financial statements.

B. The SFFASs shall have no effect on the manner in which federal agencies budget for, monitor and control the expenditure of budgetary resources. Those requirements are defined in OMB Circular A-11 and other OMB documents. However, financial statements and budgetary reports are interrelated and are integral to the NASA financial management system. Balances reported in financial statements and budget execution reports should agree with each other and, if not, the differences must be reconciled.

010802. Hierarchy of Accounting Standards. The SFFASs represent GAAP for the federal government. However, NASA may engage in transactions that are not addressed by those standards. In those instances, a hierarchy of accounting standards must be followed. In October 1999, the American Institute of Certified Public Accountants (AICPA) through Statement on Auditing Standards (SAS) No. 69, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles in the Independent Auditors Report, as amended by SAS No. 91, Federal GAAP Hierarchy, established a hierarchy of accounting principles for federal governmental entities. Following is the [listing published by the Federal Accounting Standards Advisory Board](#), in priority sequence, of sources that an entity should look to for accounting and reporting guidance:

<b>Hierarchy of Accounting Standards</b>	
A.	FASAB Statements and Interpretations of those Statements plus AICPA and Financial Accounting Standards Board pronouncements if made applicable to federal governmental entities by a FASAB Statement or Interpretation.
B.	FASAB Technical Bulletins, AICPA Industry Audit and Accounting Guides, and AICPA Statements of Position if specifically made applicable to federal governmental entities by the AICPA and cleared by the FASAB.
C.	AICPA Accounting Standards Executive Committee Practice Bulletins if specifically made applicable to federal governmental entities and cleared by the FASAB and Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.
D.	Implementation guides published by the FASAB staff and practices that are widely recognized and prevalent in the federal government.

010803. Interpretation of SFFAS. A NASA WCF business entity desiring an interpretation of a federal government GAAP shall request such interpretation from the Agency

CFO, Director of Financial Management. The Director of Financial Management shall respond to that request or, if necessary, forward the interpretation request to the Office of Federal Financial Management, OMB. In accordance with OMB Circular A-134, "Financial Accounting Principles and Standards," the OMB may respond to the request either by providing technical assistance or through issuance of an Interpretation of Federal Financial Accounting Standards, which is a document of narrow scope that provides clarifications of original meaning, additional definitions, or other guidance pertaining to an existing SFFAS. If the OMB decides an Interpretation of Federal Financial Accounting Standards is necessary, the OMB Circular A-134 directs the OMB to: (1) provide written copies of the request to the Comptroller General and the Secretary of the Treasury; (2) examine, as appropriate, applicable literature and consult with knowledgeable persons; (3) draft an Interpretation of Federal Financial Accounting Standards; (4) obtain the consensus of Treasury and the GAO on the interpretation; and (5) publish the Interpretation of Federal Financial Accounting Standards.

010804. Basic Accounting System Requirements. The following laws, regulations, and OMB Circulars set forth the basic accounting system requirements of the NASA WCF:

A. Federal Managers Financial Integrity Act (FMFIA) of 1982. The internet link is: [FMFIA of 1982](#). The purpose of the FMFIA is to require Federal agencies to establish internal accounting and administrative controls to: (a) prevent waste or misuse of agency funds or property; and (b) assure the accountability of assets.

B. CFO Act of 1990, as amended. The internet link is: [CFO Act of 1990](#). The purpose of this act is to:

1. Improvement, in each agency of the Federal government, the accounting, financial management, and internal control systems to assure reliable financial information and to deter fraud, waste, and abuse of government resources.

2. Ensure that complete, reliable, timely, and consistent financial information is used by the executive branch of the government and the Congress in the financing, management, and evaluation of federal programs.

C. Government Management Reform Act (GMRA) of 1994. The internet link is: [GMRA of 1994](#). The Act amends the requirements of the CFO Act of 1990 by requiring yearly audited financial statements from 24 of the largest executive agencies (including the NASA) and the preparation and audit of a government-wide financial statement. It also requires that statements are prepared in accordance with OMB's Form and Content Bulletin in effect for the period covered by the financial statements.

D. Federal Financial Management Improvement Act (FFMIA) of 1996. The internet link is: [FFMIA of 1996](#) and then go to Title VIII (page 390). The act requires all Federal financial management systems comply with Federal financial management system requirements, SFFAS, and the United States Standard General Ledger (USSGL) in order to provide uniform, reliable, and more useful financial information.

E. OMB Circular A-127, Financial Management Systems, dated July 23, 1993. The internet link is: [OMB Circular A-127](#). The purpose of OMB Circular A-127 is to establish policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems.

F. Treasury Financial Manual (TFM), Part 1, Chapter 2000. The internet link is: [TFM Chapter 2000](#). Chapter 2000 of the TFM instructs new Federal entities to establish basic fiscal operations prescribed by the Department of the Treasury's (Treasury's) Financial Management Service (FMS), and the OMB.

010805. General Ledger Accounts

A. The USSGL shall be used by NASA WCF business entities to record budgetary and proprietary accounting transactions on a double-entry basis. Volume 1, Chapter 9220, General Ledger, of the TFM provides guidance on the use of the USSGL. The USSGL is composed of five major sections: (1) Chart of Accounts, (2) Account Descriptions, (3) Accounting Transactions, (4) USSGL Attributes, and (5) Crosswalks to Standard External Reports.

B. The USSGL attributes are one component of detailed data in agency financial systems related to the external reporting financial statements. Each USSGL account has associated attributes related to external financial reporting. Examples of attributes are: (1) Federal/Nonfederal, (2) Trading Partner, (3) Exchange/Nonexchange, (4) Budget Functional Classification, and (5) Custodial/Noncustodial. While the preceding are examples of attributes, it is not an exhaustive list of attributes required by NASA to adequately prepare its financial statements.

C. The Director of Financial Management will develop and maintain the general ledger attributes for both internal and external NASA reporting requirements to include appropriated funds and working capital funds. This shall ensure consistency in the application of those attributes within NASA. In other words, an attribute shall have a common meaning wherever it is used.

0109 ACCOUNTING APPLICATIONS

010901. Accounting Requirement. The NASA WCF is required to account for its financial operations in accordance with all accounting principles and policies applicable to the Federal government unless specifically exempted. The sources and hierarchy of the accounting requirements are identified in Volume 6 of this regulation.

010902. Recording Anticipated Reimbursements. Effective 1 October of each fiscal year and based upon the approved budget, each NASA WCF business entity shall record its anticipated reimbursements for the fiscal year. The value recorded as anticipated reimbursements is an estimate of the annual dollar volume of business expected. Each customer order accepted reduces anticipated reimbursements dollar for dollar. At fiscal year end, any



remaining balance of anticipated reimbursements is reduced to zero. Although entry of the anticipated reimbursements involves the use of budgetary accounts, it does not provide budgetary resources available for obligation. Budgetary resources are not available until customer orders are received and accepted. The accounting entries to record this transaction can be found in Appendix 4, Section C.1. of this chapter.

010903.      Acceptance of Customer Orders

A.      All customer orders accepted by a WCF business entity shall be in writing and shall call for specific goods, work or services. Each WCF business entity shall record promptly all customer orders accepted and shall account for the status of all orders in terms of deliveries, billings, and unfilled balances.

B.      Customer orders (funded requests for goods or services) create a binding contractual relationship between a NASA WCF business entity and its customer upon acceptance. Acceptance of a customer order requires that the performing business entity agree to perform the work for the customer entity. Customer orders also provide the budgetary and cash resources necessary to finance operations. The accounting entries to record this transaction can be found in Appendix 4, Section C.2. of this chapter.

010904.      Revenue Recognition and Reimbursements

A.      A NASA WCF business entity shall bill its customers and recognize revenue at least monthly. The customer funding an order shall be billed for the revenue recognized, or when advance payments have been received, those advances shall be transferred to the appropriate revenue account. In no case shall the total amount of revenue recognized and billed exceed the amount of the customer order. A bill serves multiple purposes. First, it is the source document for use by the customer as a basis of recording cost information. Second, it is the source document for use by the performing WCF business entity to recognize and record revenue.

B.      When a WCF business entity receives reimbursement in advance of performance, a bill must be prepared on a monthly basis so that costing information is available to the customer and revenue information is available to the WCF business entity for use in preparing monthly financial reports.

C.      When a WCF business entity is reimbursed upon, rather than before, performance, billing may be more frequent, depending primarily on the cash needs of the WCF business entity, but never less frequent than monthly.

D.      The WCF business entity's billing is based upon the price or rate for the good or service provided. The billing amount is not based upon the cost incurred by the performing NASA WCF business entity for the provided service. The price or rate is an amount established prior to performance that is deemed adequate to recover costs and working capital needs of the performing WCF business entity. Unless specifically approved by the NASA CFO, all WCF reimbursements should be received in

advance of performance. The accounting entries to record this transaction can be found in Appendix 4, Section C.3. of this chapter.

010905. Capitalization Criteria

A. The NASA asset capitalization threshold is \$100,000 for items other than software. The NASA capitalization threshold for software is \$1,000,000. In addition to the dollar threshold, items must have a useful life of two years or greater in order to meet the capitalization criteria. Capital assets include property, plant, equipment, and software developed, manufactured, transferred or acquired that meet the capitalization criteria. See Volume 6, Chapter 4 of this Regulation for the capitalization criteria.

B. Once assets are capitalized by a WCF business entity, they will continue to be reported as a capital asset and depreciated until the book value of the asset reaches zero or its salvage value, as appropriate. Changes in the capitalization threshold will not impact assets already capitalized unless directed by higher authority. WCF assets will be funded through the capital budget and their costs will be depreciated according to depreciation schedules found in the following table.

**NASA RECOVERY PERIODS FOR DEPRECIABLE CAPITAL ASSETS**

<b>Description of Capital Assets</b>	<b>Recovery Period</b>
General Purpose Vehicles (Includes Heavy Duty Trucks and Buses); ADP Systems and Hardware (Computers and Peripherals); Equipment used in Research, Development, Test and Evaluation (RDT&E); and Software Improvements to 5-Year Recovery Period Property (Personal Property)	5 Years*
All Other Equipment, Machinery and Software**	10 Years
Improvements to 20-Year Recovery Period Property	
Fences, Roads, Bridges, Towers, Ships and Other Real Property Structures.	20 Years
Improvements to 40-Year Recovery Period Property	
Buildings, Hangers, Warehouses, Air Traffic Control Towers, and Other Real Property Buildings	40 Years
Improvements to Leased Buildings and Other Real Property (Leasehold Improvements)	Remainder of Lease Period or 20 Years Whichever Is Less
Land Rights of Limited Duration	Over the Specified Duration

\* For items in the 5-year category, a recovery period of less than 5 years is permitted if the useful life of the asset is at least two but less than 5 years. The WCF business entity must document the reasons for the shorter useful life and may not change the recovery period once depreciation has been started. In such circumstances, the recovery period shall be the known useful life (2-4 years, as appropriate).

\*\* Depending on the nature of the software, it may be depreciated over a period of less than 5 years or 10 years. The determining factor should be the actual estimated useful life of the software consistent with that used for planning the software's acquisition.

010906. Depreciation of Capital Assets

A. The purpose of asset depreciation is to record a decrease in value of property through wear, deterioration, or obsolescence. Depreciation is therefore the recognition of an expense in the current period for an outlay that occurred in a previous period. Thus, depreciation expense recovery (through inclusion in stabilized rates or prices) results in a cash accumulation that can be used to acquire assets to replace those wearing out. Recovery of depreciation expense is the primary financing source for the NASA WCF capital investments .

B. Depreciation of capital equipment will be fully reflected in the operating costs and rates of WCF business entities. However, it is possible that at times depreciation expense recovery may not, by itself, be sufficient to finance the desired capital investment program. In those instances and if approved by the NASA CFO, an additional element may be added to the stabilized rates/prices to finance the incremental difference. That additional element is termed a "Capital Surcharge." It is important to note that capital surcharge is not an expense. The stabilized billing rate/price, when billed, is recorded as revenue. Since there is no counteracting expense for a capital surcharge, it should result in a positive Net Operating Result. It is important to remember that the capital surcharge collection will not be returned to customers through a lower stabilized rate/price in subsequent fiscal years.

C. Depreciation expenses shall be calculated and accumulated using the straight-line method. The depreciation amount for the period is the capitalized amount less residual value, and divided by the number of periods in the item's estimated useful life. The table below identifies the useful life span of different categories of WCF capitalized assets. Residual value will be used in the calculation only if it exceeds 10% of the cost of the asset. Additional information relating to depreciation of NASA capital assets may be found in Volume 6, Chapter 4 of this Regulation.

D. The accounting entries to record the purchase and depreciation of capital assets purchased through expenditure of resources available to the WCF can be found in Appendix 4, Section D.1. of this chapter

E. Depreciation of capital assets, that are transferred into a WCF business entity without reimbursement that have preexisting depreciation schedules and accumulated depreciation, shall be based on the remaining book value plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use. The accounting entries to record capital asset transfers can be found in Appendix 4, Section D.2. of this chapter.

F. Depreciation of capital assets, that are transferred into a WCF business entity without reimbursement that have no preexisting depreciation schedules or accumulated

depreciation, shall be calculated based on the net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use.

#### 0110 BUDGET DEVELOPMENT

011001. Budget Overview. Annual budgets to OMB and to Congress for each NASA WCF business entity provide official management cost goals for each business entity. See Volume 4 and Volume 5 of this Regulation for details regarding budget formulation, presentation and budget execution. A business entity budget consists of two primary parts--the operating budget and the capital budget. The operating budget represents the annual operating costs of a business entity.

011002. Operating Budget. The operating budget contains the annual operating costs of NASA WCF business entity, including depreciation or amortization expenses. To minimize costs, all goods and services should be purchased, whenever possible, from the source that provides them the least total cost, unless there are other considerations that prohibit this flexibility. Of course, the performance and quality of the source must be considered as well.

#### 011003. Capital Budget

A. The capital budget represents the amount of financial resources that are authorized for use in the acquisition of capital assets. A capital budget shall not be used to establish a new or expanded organic capability except as specifically approved in a capital budget. All assets acquired for use by a WCF business entity shall be financed through the NASA WCF. Funds to acquire assets shall normally be obtained from prices or rates, which may include a capital surcharge and/or depreciation expense charged to customers.

B. Resources needed to finance WCF capital assets shall be derived primarily from the recovery of depreciation of existing NASA WCF assets. The estimated depreciation expense shall be included in stabilized prices and rates billed to NASA WCF customers. A capital surcharge should also be included in the rates when the available cash resulting from the depreciation charges will not equal the approved capital investment budget. Each proposed acquisition of an asset shall be reviewed to ensure that it satisfies all of the following criteria:

1. It is more economically feasible to purchase rather than to lease the capital asset. While leasing is not a part of the capital purchases program, it may be appropriate for areas of fast changing technology or when workloads are expected to cease before the end of the program or payback period. Leasing also may be used as a means of obtaining near-term benefits from productivity improvement opportunities until sufficient data to verify the benefits of procurement can be developed.

2. The acquisition of a capital asset will satisfy a need for capability to perform valid operations, functions, or services that cannot be performed as effectively or economically by the use of existing equipment and facilities or by contract.

3. Capital assets recommended for acquisition shall be those deemed to most efficiently and effectively accomplish the objective for which they are justified. The criteria are: improved efficiency (savings) or effectiveness; required new capability and capacity that cannot be met with current equipment and facilities; replacement of unsafe (locally determined), beyond economical repair, or inoperative and unusable assets; and environmental, hazardous waste reduction, or regulatory agency (state, local, or federal) mandated requirements.

#### 0111 AUDITING

Under the provisions of Title 31, United States Code, Section 3515, NASA is required to prepare audited financial statements covering all its accounts and associated activities including the NASA WCF. The NASA WCF business entities are subject to audit by the NASA Inspector General, by the GAO, and by other parties when contracted or otherwise authorized. Copies of audit reports shall be submitted to the CFO.

#### 0112 NASA WCF FINANCIAL STATEMENTS

The NASA WCF is required to produce quarterly financial statements. The statements will be audited annually and included in NASA's Annual Performance and Accountability Report. Volumes 8, "External Reporting" and Volume 9, "General Management Reporting" of this requirement will identify recurring reporting requirements applicable to the WCF. However, a WCF may develop financial reports specifically designed to assist in management of a WCF business entity. Appendix 5 to this chapter lists financial reports that are currently available from IFMP/Core Financial and the Business Warehouse (BW).